



MANAGEMENT DISCUSSION & ANALYSIS

LOOKING AHEAD

LOOKING AHEAD

MAJOR ISSUES, CHALLENGES, AND CONCERNS

The Department of Commerce faces a number of key challenges. We view the following as being among the most significant, for their importance to our mission or to the nation's well-being, for their complexity, for their cost, or for the urgency of their need for management improvement.

China's Accession To the World Trade Organization

Although the International Trade Administration (ITA) supported efforts to secure the passage of legislation granting permanent normal trade relations to China and to finalize China's terms of accession to the World Trade Organization (WTO), ITA must now develop new strategies to address key trade issues. China's entry into the WTO will undoubtedly bring new exporters to China, many of them for the first time. ITA staff is developing a regional strategic plan, which takes into account China's accession to the WTO. ITA faces several uncertainties that it must address in this region. ITA's overseas posts will devote considerable time to addressing the needs of companies who seek to do business in China. In addition, new strategies are required to address key trade areas for this market and to handle complex issues that will arise involving commercial law requirements in non-market economies.

Commerce Secretary Donald L. Evans witnesses signing of a purchase agreement between Boeing and various Chinese Airlines.



Trade Adjustment Assistance Act Reauthorization

Formal authorization for the Economic Development Administration's (EDA's) Trade Adjustment Assistance (TAA) Program under the Trade Act of 1974, as amended, expired on September 30, 2001. EDA, however, continues to operate the TAA program because Congress appropriated funds for that purpose in EDA's FY 2002 budget. Most of the assistance provided under the TAA Program is delivered through a national network of 12 Trade Adjustment Assistance Centers (TAACs), funded by EDA to assist trade-injured U.S. manufacturing firms. The TAACs provide three main types of assistance to firms: help in preparing petitions for certification (which must be approved by EDA); analysis of the firm's strengths and weaknesses and development of an adjustment strategy; and in-depth assistance for implementation of the strategy. At the end of FY 2001, \$13.5 million was needed to provide approved technical assistance awaiting funding to certified trade-injured firms.

Enhance Export Controls

There is an increased concern about the proliferation of weapons of mass destruction. In response to this issue, the Bureau of Export Administration (BXA) continues to refine U.S. export controls in light of geopolitical and business realities. They seek to enhance the effectiveness of the export administration regulations by educating stakeholders in the export licensing process and thereby improving industry compliance with export control regulations. These efforts will increase the efficiency of the license processing system and thus enable exporters to be more competitive in the global economy while deterring transactions that threaten U.S. security interests.



*Commerce Secretary
Donald L. Evans and
Canada's Trade Minister
Pierre Pettigrew,
September 10, 2001.*

Telecommunications Innovation

The National Telecommunications and Information Administration (NTIA) continues to address impediments to the development of innovative telecommunications services by the private sector. Many of today's innovations involve wireless technologies that must use a scarce resource, the radio frequency spectrum. The spectrum is carefully coordinated by international bodies as well as the Federal Communications Commission (FCC) (for commercial uses) and NTIA (for Federal Government uses) so that users do not interfere with each other. NTIA's spectrum management and research activities promote innovative technologies and uses of spectrum resources for affordable, alternative communications services. Facilitating deployment of broadband wireless services is a major piece of this agenda. Broadband technology has the potential to revolutionize e-commerce, educational opportunities, and health care. Another challenge for NTIA is to find spectrum that might be made available for next generation commercial mobile wireless services.

Strengthening the Global Trading System

The International Trade Administration (ITA) has been affected by several external factors in the trade environment that impact the global trading system. ITA will support efforts to reinvigorate the international trading system by participating in negotiations to include a Free Trade Area of the Americas. ITA must carefully monitor the development of regulatory barriers that may place U.S. firms at a disadvantage in key foreign markets and seek their removal.

The global economy changed rapidly in FY 2001. The economic downturn resulted in an increase in the number of enforcement cases. A growing number of investigations and reviews are being filed for non-market economy countries.

Increase Effectiveness of Fisheries Management

In September 2000, the General Accounting Office (GAO) published a report, which concluded that the National Oceanic and Atmospheric Administration (NOAA) Fisheries appear to be using the best available scientific information to determine the condition of fish and other marine species; that it appropriately considers the economic impacts of conservation and management measures on fishing communities; and that it has technically met the requirements of the Magnuson-Stevens Act by identifying essential fish habitats and developing a consultative process for addressing potential adverse impacts to those habitats. Based on GAO's recommendation, NOAA will work to strengthen its data collection efforts, improve communications between government and the fishing industry, improve economic analysis, and identify the costs of achieving compliance with the act's habitat provision.

Protect U.S. Technology

The Bureau of Export Administration (BXA) must enforce U.S. export regulations in order to protect our security interests. "Deemed exports" are transfers of technology to foreign nationals in the United States who are not permanent residents and who present a risk of repatriating that technology to their home countries. U.S. industry employs many foreign engineers and feels that requiring licenses for intracompany transfers of technology to these individuals is impractical. Yet, the national security community regards technology transfers to foreign nationals working in the United States as a major vulnerability that could be exploited by some countries. BXA is examining this difficult issue in an effort to develop a solution that better addresses both business and national security concerns.

Anticipated Growth Increase in Minority Population

The Minority Business Development Agency (MBDA) is the only federal agency specifically established to foster minority business growth in the United States. The U.S. Census Bureau is projecting that 90 percent of the net U.S. population growth over the next 50 years will be in minority groups. As the demographic mix of our population changes, it becomes even more imperative that minority entrepreneurship play an increasing role in economic growth and competitiveness. By investing in the continued growth of minority businesses, MBDA's assistance will empower them to become full competitive participants in the commerce of the United States.

Strengthen Department-wide Information Security

As the Department's systems have become more widely distributed and interconnected, security vulnerabilities have also increased, creating a need to improve procedural and technical security measures. Strong security measures are vital to protect the confidentiality and privacy of information, the integrity of computer systems and their networks, and the availability of services to users. The Department's management has established IT security as a priority. Resources will be allocated to assure that the Department's data and IT systems are protected in order to avoid data loss, misuse, or unauthorized access, and to assure the integrity and availability of the Department's data. A restructuring of the Department-wide IT management is underway. An IT Security Task Force was established to provide a roadmap for updating policies, identifying training programs, and developing an oversight process with compliance testing as a key component.

Increase in Patent and Trademark Applications

Over the past decade, the U.S. Patent and Trademark Office (USPTO) has faced an increasing workload, particularly in the filing of patent and trademark applications. In FYs 2000 and 2001, the growth rate of patent filings increased to 12 percent, where it is projected to stay through FY 2002. Although trademark application filings decreased in FY 2001 by 21 percent, consistent with a declining economy, the number of applications filed was the second highest level ever recorded. Based on projections, the economy is expected to improve, which would result in trademark applications returning to a growth position.

In recent years, the greatest growth in filings is in the more complex areas of electrical/computer engineering and biotechnology/bioinformatics technologies. To better manage this changing workload, the USPTO must focus more heavily on automated search tools and other laborsaving techniques, as well as reviewing its fee structure for changes that will facilitate internal application processing efficiencies.

Patent Application Form

Improve the Quality and Reliability of Gross Domestic Product Data

Rapid changes in the size and complexity of our economy have created significant measurement problems for the Bureau of Economic Analysis' (BEAs') economic accounts, threatening the statistical foundation on which many of the nation's most important decisions are made. Gross Domestic Product (GDP), our most important measure of overall economic activity, is a vital ingredient for issues ranging from projected budget surpluses and tax revenues to social security planning, monetary policy, and the allocation of federal funds to the states. In order to provide a more accurate picture of the economy and a better tool for policymakers, BEA must improve its GDP estimates in a number of key areas, such as employee compensation and assessment of high-tech goods and services. We must also upgrade our overburdened GDP processing system to ensure that GDP estimates continue to be released on time each month.

EDA Stabilization

As a result of not being re-authorized for 18 years, significant energy and leadership attention has been focused on "survival" rather than strategically positioning the Economic Development Administration (EDA) for the next century. Updating basic business management practices and procedures was neglected, eroding EDA's efficiency, effectiveness, and credibility with key stakeholders. Powerful realities of macroeconomic and public policy priority are at work and these forces will grow ever stronger in the years ahead. As a result, there is even greater pressure to reduce costs, improve the quality of services, and increase productivity. EDA must now focus on those strategic initiatives that will enable them to become the premier standard bearer for domestic economic development in the 21st century, and position them for reauthorization in 2003. This will include implementing three pillars of reform, which include organizational management initiatives, performance measurements, and congressional and public affairs. The execution of the three pillars will move EDA from a culture of compliance to a culture of performance.

Successfully Implement a Department-wide Financial Management System

Implementation of the Commerce Administrative Management System is critical as we seek to achieve full compliance with the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA), and to realize our goal of a single, integrated financial management system capable of providing timely, complete, and reliable information. We have made much progress in this endeavor, but full implementation continues to be a challenge. The Department plans to have all of its reporting entities under compliant financial management systems by October 2003.

Modernization of NIST Facilities and Equipment

Leading-edge measurement research by the National Institute of Standards and Technology (NIST) requires consistent investment in facilities and equipment. In order for NIST to meet stringent industry measurement requirements, new state-of-the-art facilities and equipment are needed. The principal inadequacy involves the lack of high-quality systems to maintain extremely precise environmental controls, including temperature, humidity, vibration, electric power quality, and air cleanliness.

NIST plans to address these challenges with a combination of new construction, renovation of existing facilities, strategic investment in state-of-the-art equipment, and attention to safety, capacity, maintenance, and major repair needs. With appropriations received so far, NIST has constructed an Advanced Chemical Sciences Laboratory and has begun construction of an Advanced Measurement Laboratory in Gaithersburg, Maryland, which is slated for completion in 2004.



NIST's new Advanced Measurement Laboratory currently under construction will give NIST and its partners in U.S. industry access to research and development capabilities not available anywhere else in the world.

Manage USPTO Construction Project

The United States Patent and Trademark Office (USPTO) construction project will consolidate its current operations by providing a new headquarters consisting of five interconnected buildings. This space consolidation is a critical step in making USPTO the best intellectual property office in the world. Occupancy is expected to begin in late FY 2003 and be completed by mid-FY 2005. USPTO will face numerous logistical and operational challenges in executing this consolidating move. Dual operations, including dual computer facilities, will be required during the protracted period of relocation. Supporting employees and customers at geographically separate locations will require careful planning. However, the long-term benefit will be a world-class facility with operational efficiencies and improved allocation of workspace to accommodate USPTO's growing and changing workplace.

INITIATIVES AND PRIORITIES

Given the Department's mission, vision, strategic goals, and the major issues discussed in the preceding section, the Department has identified the following initiatives and priorities to focus the Department's energies in FY 2002 and beyond:

Expansion of Department's Homeland Security Role

The events of September 11, 2001, had a profound effect on our country and the President has since made homeland security a national priority. The Department has worked quickly to determine how we can support homeland security and what we can do in the future to ensure the safety and security of Americans. Although it has not changed the Department's mission, it has brought a further urgency to our work in protecting U.S. security. The Secretary will ensure the Department supports the President's Homeland Security Council through ongoing and expanded initiatives.

The National Institute of Standards and Technology (NIST) will continue to play a key role in the nation's ability to prevent and respond to terrorism. Through more than 75 ongoing and newly initiated research and standards development projects, NIST is helping the millions of individuals in law enforcement, the military, science, emergency services, information technology, airport and building security, and other areas to protect the American public from terrorist threats. Specific NIST projects related to improving homeland security include safer structures and secure information systems, enhanced threat detection and protection, tools for law enforcement, and emergency response. The Technology Administration's Office of Technology Policy will continue to focus efforts on working closely with the private sector to analyze complex issues, while generating fresh insights and new policy paths for the country in light of terrorist activities. Technology efforts are critical to keeping Americans safe and combating terrorists. The National Technical Information Service will continue to offer and ensure publications on terrorism and homeland security are available.

The Critical Infrastructure Assurance Office of the Bureau of Export Administration (BXA) continues to expand its Project Matrix program, which assists federal agencies with identifying physical and cyber assets that are essential for the Federal Government to protect U.S. national and economic security. BXA is planning a series of regional meetings to hear concerns and suggestions on protecting critical infrastructure. Additionally, BXA will continue to enhance export controls that are vital to the preservation of the international trading system, and, therefore, ensure that these controls reflect the realities of today. Efforts of the National Oceanic and Atmospheric Administration (NOAA) to support Homeland Security involve port

The events of September 11, 2001 had a profound effect on our country and the President has since made homeland security a national priority.

and maritime security. As NOAA can rapidly disseminate chart updates and critical chart corrections, as well as create temporary charts, overlays, and data sets as needed, NOAA will focus on partnering with other agencies on safety and security issues. NOAA's unique role as an information provider will be of great benefit to the United States Coast Guard and others as they develop strategies for Maritime Domain Awareness and port security.

The Tourism Policy Council (TPC), which is an interagency committee established to ensure that the nation's tourism interests are considered in federal decision-making, was reestablished following the September 11 events. The Secretary chairs the TPC with a commitment to coordinating national policy and programs relating to travel and tourism, recreation, and national heritage resources that involve federal agencies.

Passage of the Trade Promotion Authority

During FY 2001, the Department supported efforts to secure passage of the Trade Promotion Authority (TPA). TPA reflects an agreement between the President and the Congress on the conduct of trade negotiations and the implementation of any resulting agreement. TPA offers our trading partners the certainty that the agreement we strike will be a final one, subject to approval but not changes, by Congress. This is critical to the U.S. position of strength at the table, giving our negotiators the authority they need to insist on the best possible agreements for our nation, including determining the amount of tariffs placed on imported goods.

Under TPA, the President works with Congress on trade negotiations from the outset, both in setting the U.S. negotiating agenda and in consulting throughout the course of trade talks. There are more than 130 preferential trade agreements in the world today, and the United States belongs to only two. TPA will send a powerful signal to our trading partners that the United States is committed to free and open trade. TPA provides a vehicle to ensure that the Congress and the President are working on trade objectives that benefit American workers, families, farmers, firms, and businesses. The Department will continue to support passage of the TPA in FY 2002.

The Dynamic International Trade Environment

The International Trade Administration (ITA) constantly faces new demands as the international trade environment changes. Accordingly, one of their main initiatives is to update and improve services for exporters while eliminating duplication between agencies. ITA anticipates that as a result of the Trade Promotion Coordinating Committee benchmarking process of federal trade promotion and finance programs, innovative reforms will emerge. Specifically, improvements in the area of small business trade finance and e-commerce are needed, along with more coordination between domestic and overseas operations.

ITA must ensure that U.S. firms realize the benefits of the agreements that are signed with our trading partners. Compliance efforts are being employed throughout all of ITA, with additional technical assistance when needed from other bureaus within the Department. Reporting requirements have been instituted to review complaints and develop compliance action plans. In addition, each trade agreement has a designated monitoring official who is responsible for ensuring proper implementation and compliance.

ITA must also focus on supporting new foreign policy and security goals. ITA will attempt to seize opportunities where they arise; for example, it is likely ITA will assist with the reconstruction of Afghanistan. This enables ITA to support the President's goal to promote freedom and liberty through free trade while maintaining ITA's goal of expanding markets for U.S. goods and services. ITA will be striking out to bring free trade to Africa, China, and the Americas. This reinforces our efforts to bring geopolitical stability to uncertain areas of the globe through enhanced opportunity and economic development for citizens in these unstable regions.

Strengthening Trade Compliance

The International Trade Administration's (ITA's) compliance efforts were a top priority trade program issue in FY 2001 and remain a key component of the Department's FY 2002 and FY 2003 programs. ITA ensures that the United States continues to have a free and open trading system by improving the ability of staff to respond to compliance issues associated with existing trade agreements and market access issues, as well as through antidumping and countervailing duties investigations. ITA continues to respond to growth in World Trade Organization (WTO)-inspired litigations and to address the growing number of investigations and reviews from non-market economy countries such as China. Now that China has entered the WTO, ITA must ensure fair trade for U.S. companies conducting business in this vast market. ITA continues to address compliance issues in multilateral negotiations such as those recently held in Doha, Qatar, and those associated with our efforts to expand the North American Free Trade Agreement to a Free Trade Agreement for the Americas.

Elimination of Excess Steel Capacity

A high-level meeting on steel convened during September 2001 and identified global excess steel manufacturing capacity as the principal problem affecting the near-term condition of the steel industry worldwide. The participants also recognized the potential benefits of negotiating expanded disciplines on practices that encourage investment in or maintenance of excess steel capacity.

The results of that meeting reflected the consensus among 39 major steel-producing countries not only to recognize that inefficient excess steel production is a global problem, but that

governments should aggressively encourage the elimination of excess capacity. As a next step, the countries agreed to consult with respective steel industries and conduct a self-examination to define and identify inefficient capacity. These findings were presented at a meeting in December 2001 to further U.S. interests in multilateral steel negotiations. The Department will continue to play an active role in these endeavors.

Reforming Export Controls

The Department is committed to ensuring the passage of the Export Administration Act (EAA). There has not been a comprehensive rewriting of the EAA since 1979. The EAA authorizes the export of readily available high-tech products without compromising U.S. national security interests. The revised EAA of 2001 provides a balanced framework for administering and enforcing export controls in the 21st century. Passage of this legislation will greatly enhance both U.S. national security and U.S. economic interests. It will also eliminate the requirement that computer export controls be based on the processing speed of the computer—MTOPS (millions of theoretical operations per second)—which is a measurement that industry and the General Accounting Office (GAO) believe is outdated. The legislation will benefit the U.S. economy and specifically the high-tech industry, which has struggled for years to gain more controls on technology exports.

One of BXA's greatest concerns relates to items that could contribute to weapons of mass destruction programs by terrorist-supporting states and other terrorist organizations. BXA seeks to post attachés in countries of direct concern and countries that serve as key trans-shipment points. In addition, the attachés would help China, Russia, and the United Arab Emirates develop and maintain effective enforcement systems and facilitate cooperation with the United States in export enforcement matters.

Telecommunications Infrastructure for the Future

Commerce Secretary Donald L. Evans has said, "Our robust internet economy has driven American economic growth, technological innovation, and global competitiveness over the past five years and we look to information technologies to support future growth." Much of that growth, innovation, and global competitiveness hinges upon advanced telecommunications infrastructures. The National Telecommunications and Information Administration (NTIA) will coordinate development of the Administration's policy for broadband technologies that provide high-speed data services in order to eliminate barriers to private sector investment in next-generation facilities and services. NTIA also will examine spectrum management reforms that will support innovative wireless services.

“Our robust internet economy has driven American economic growth, technological innovation, and global competitiveness over the past five years and we look to information technologies to support future growth.”



NEXRAD (WSR-88D Weather Surveillance Radar Doppler)

Enhancing Forecasting Capabilities

There are few services the Federal Government provides that are as critical as issuing severe storm warnings and protecting the life and safety of Americans. The National Oceanic and Atmospheric Administration (NOAA) provides forecasts and warnings for public safety, and the private sector promotes dissemination of forecasts and tailors basic information for business uses. Each year hundreds of lives and billions of dollars are lost due to severe storms, floods, and other natural hazards that can be predicted minutes to months in advance. NOAA's current ability to predict short-term change is restricted by observations that are incomplete in time and space. Improvement in the ability to observe, forecast, and warn the public of hurricanes, severe storms, and flash floods will remain one of NOAA's highest priorities. Continued high-priority interagency research and service programs will lead to the improvement in hurricane track prediction and intensity forecasts, quantitative precipitation forecasts, and lead time for tornado, severe storm, and flash flood warnings, as well as improved forecasts and warnings of river stages and flooding. NOAA is committed to improve its observing systems, develop a better understanding of natural processes, and enhance numerical weather prediction models and dissemination systems.

Technical Infrastructure for 21st Century Innovation

For more than a century, the National Institute of Standards and Technology (NIST) Laboratories have successfully collaborated with industry and universities to provide the measurement techniques and technical tools needed by America's innovators. Leading-edge scientific and technical work requires multiple disciplines, high levels of collaboration among organizations and people with diverse capabilities, and highly specialized facilities and complex tools.

To continue this record of success, NIST must respond to new and challenging demands in areas where public and private research and development (R&D) investments are large, measurement and standards capabilities are critical, and the potential benefits are substantial and broad. Areas of priority for NIST include homeland security, health care, nanotechnology, and information technology. In these areas and others, NIST will build on its tradition of using strategic partnerships with industry, universities, and other governmental agencies to implement highly leveraged R&D infrastructure solutions—solutions that maximize their impact through strategic use of collaborative research, R&D grants, personnel exchange, and joint planning.

Sustaining Healthy Coastlines

The National Oceanic Atmospheric Administration's (NOAA's) role in ensuring the continuity of economic activity is to predict and reduce the impacts of storms on coastal watersheds, conserve and restore coastal habitats, and explore new ocean habitats. Coastal ecosystems are powerful engines that fuel the nation's economy. Over one-half of the U.S. population now

lives and works within 50 miles of the coast. One in every six U.S. jobs is marine related and one-third of the nation's gross domestic product is produced in coastal areas. This economic activity depends on productive coastal habitats, clean coastal waters, and healthy coastal ecosystems. In FY 2002, NOAA will provide managers and decision-makers with information, solutions, and technologies as part of interagency initiatives developed by the National Science and Technology Council's Committee on Environment and Natural Resources to sustainably manage the nation's coastal ecosystems. The NOAA Office of Ocean Exploration launched its first field season with several major expeditions, including a study of coral reef habitats and ecosystem connections found along the Gulf Stream, installation of acoustic-monitoring technology to record the sea's sounds, and recovery of the engine of the Civil War-era ironclad, the *USS Monitor*.



Looking northeast across the Waipio Valley to the Kohala Mountains on the northwest tip of Hawaii.

Fostering Innovation

The Office of Technology Policy continues to foster innovation. Technology is a fundamental component of economic growth and rising living standards. Technological progress drives national productivity growth, provides U.S. industries with a competitive edge in world markets, and also serves as a linchpin for effective national security. As such, it is critical that federal policies remain abreast of national and international trends and promote a positive environment for technological and business innovation. The associated policy issues are diverse and numerous, including: technology transfer and productive partnerships among the many public and private organizations that conduct research and drive commercialization of innovative products and processes; the health of the nation's investment in R&D (public, private industry, venture capital); the strength of the human and physical infrastructure supporting the nation's innovation system; and sustaining business conditions (such as taxes, trade, intellectual property protection, and government regulations) that facilitate technological innovation and market risk-taking.

NTIS in the New Era

The National Technical Information Service (NTIS) is changing its role and practices to meet the needs of its customers in the 21st century. The shift in information dissemination practices from traditional paper copy to electronically based products has improved the ability of NTIS to provide quality products and increase the number of products distributed, as well as increasing the number of customers that have access to valuable scientific and technical information. NTIS is currently implementing an initiative that will enable customers to locate and download information directly from the originating agency internet site. NTIS also provides technologically advanced global e-commerce channels for dissemination of specialized

information to business, industry, government, and the public. NTIS continues to enhance its ability to stay current in the electronic commerce environment, while continuing to serve customers that require the more traditional distribution methods.

Web Survey on IT Education and Training Programs

The Technology Administration (TA) launched an online survey to gather views and experiences of people across the nation on high-tech training programs. The American Competitiveness in the 21st Century Act requires the Secretary of Commerce to conduct a study and prepare a report to Congress on existing public and private high-tech workforce training programs in the United States. The insights gathered will contribute to the Department's analysis. The purpose of this endeavor is to provide information useful to a broad range of stakeholders—government policy-makers, education and training providers, employers, and IT workers—as they develop, improve, or seek to participate in IT education and training programs. This effort will build on TA's 1999 report, *The Digital Work Force: Building Infotech Skills at the Speed of Innovation*.

Improving the Nation's Statistical Infrastructure

Spearheaded by the Bureau of Economic Analysis (BEA), the Department plans to improve the quality and timeliness of the information we deliver to businesses and policy makers and to provide an accurate measure of the effect of technology on the economy. In order to produce a more comprehensive picture of the economy, BEA will work to resolve measurement discrepancies due to changes in the coverage of key areas, including rapidly evolving industries. In addition, BEA will upgrade their information delivery system by redesigning their internet site and bringing it up to business standards.

Re-engineering the 2010 Census

Each decade the Census Bureau must adapt the design of the census to changes in our social, demographic, and technological environment. Given the rapid demographic and technological changes experienced in recent years and the strong expectation that such changes will continue and accelerate, once-a-decade data collection and updating operations are no longer sufficient. Without a more systematic, timely, and integrated planning and design strategy, the 2010 Census will be jeopardized. The implementation of the Master Address File/Topologically Integrated Geographic Encoding and Referencing modernization and the American Community Survey, which will replace the long form, will provide timely information needed for critical economic planning. In addition, developing a design infrastructure that leads to operational testing earlier in the decade is crucial. By conducting a full-scale census test in 2004 and 2006 and a true Dress Rehearsal in 2008, the ultimate goal of achieving a successful, well managed, and cost-effective 2010 Census will be realized.

Modernization of NOAA Fisheries

The National Oceanic and Atmospheric Administration (NOAA) is committed to improve the structure, processes, and business approaches of NOAA Fisheries to succeed in its mission. NOAA is adapting to a changing world that includes environmental and biological risks and uncertainties, compounded by economic and human behavior associated with fisheries. NOAA will continue to make significant programmatic investments in several critical areas. NOAA Fisheries will attempt to change the way of doing business by remedying significant under-investments in science and management.

USPTO Agreement on Initiatives for a New Millennium

An important step toward operating in an electronic environment at the United States Patent and Trademark Office (USPTO) occurred when the Office of Personnel Management approved portions of the "Agreement on Initiatives for a New Millennium" on May 31, 2001. This historic agreement is the result of a cooperative effort by the Patent Office Professional Association and the USPTO management, and represents a milestone in progress and commitment toward improving USPTO for both customers and employees. The "Millennium" agreement addresses a number of long-standing issues and will help the organization reach its goal. The agreement includes a special pay rate to address recruitment and retention issues for patent-examining professionals, and initiates the move to an electronic search environment by the phased elimination of paper search files, improving automation tools, establishing a patent examiner work-at-home pilot, and adding a customer service element to employee performance plans. Taken as a whole, implementation of these initiatives will have a positive impact on quality, customer service, performance excellence, and timeliness, and will provide the patent business with the flexibility necessary to recruit highly skilled professionals and retain experienced employees who will help the agency move toward electronic-based processing.

DEPARTMENTAL MANAGEMENT INTEGRATES THE PRESIDENT'S MANAGEMENT AGENDA

In addition to the Initiatives and Priorities discussed in the preceding section, the Department has modified the structure of its Departmental Management (DM) plan to more closely reflect the priorities established in the President's Management Agenda. The President's Management Agenda includes five government-wide management initiatives intended to foster reform and provide a common basis for ensuring accountability among all federal agencies. These include:

- Strategic management of human capital;
- Competitive sourcing;
- Improved financial performance;
- Expanded electronic government; and
- Budget and performance integration.

It is our intention to ensure that our programs are citizen-centered, results-oriented, and market-based. As the Department reviews and assesses its programs in an effort to achieve these objectives, we are also seeking to enhance policy oversight and administrative support services under DM.

Strategic Management of Human Capital

The world of federal employment faces significant challenges. Overall projections show that more than half of the federal workforce will be eligible for retirement within the next five years. To meet this extraordinary surge in prospective retirements, the Department must take extra steps to ensure that we retain vital knowledge, skills, and management capabilities. The Department faces increasing difficulty in attracting and retaining highly qualified workers in specific fields, such as information technology and selected scientific disciplines. To counter this trend, we must identify innovations in human resources management that allow us to implement pay differentials that reflect labor market realities so we may compete for our nation's best talent.

Existing laws and regulations allow managers limited flexibility for rewarding excellence and providing consequences for mediocre performance. We must seek fair and equitable means for providing our workforce with appropriate incentives to continually do their best. Responsiveness to citizens underlies all of our efforts. We are seeking ways to strengthen interaction with the public—by increasing the percentage of our employees who provide front-line service delivery, reducing the proportion of our workforce in managerial positions, eliminating unnecessary organizational layers, and modifying spans of management control.

During FY 2001, the Department brought together its component bureaus to develop a common approach to analyzing workforce needs, planning recruitment and outreach efforts, and modifying how human resource professionals integrate policies and services.

A comprehensive workforce analysis was recently completed. We have made significant advances in automating our hiring system and reducing the time needed to advertise and fill vacancies. We have broadened our outreach to new pools of potential applicants and expanded our telecommuting program.

Competitive Sourcing

A major challenge is to create an environment in which the Department can realize cost savings through increased competition. Historically, cost savings can be achieved when federal and private-sector service providers compete. The Department must open competition for commercial activities that can be performed by private firms. While the Department has contracted out many of its commercial activities, a renewed effort is required to meet OMB's competitive sourcing goals in FY 2002 – FY 2003.

The Department must develop a more effective approach to identifying and publicizing opportunities for bidding. New opportunities for competition continually arise as a result of gradual changes in program responsibilities and in private sector capabilities. Using the tools provided by the Federal Activities Inventory Reform Act, we will conduct conversion competitions (i.e., assess the appropriateness and cost-effectiveness of competing federally performed functions for private sector performance) and cost competition across a broad range of functions. To be successful, we must also increase the level of knowledge of various A-76 methodologies among our managers and analytical support staff. The Department is planning to increase competitive sourcing where it is beneficial to do so.

During FY 2001, the Department increased its reliance on contractors for providing goods and services to more than \$1 billion annually. We have expanded our use of performance-based contracting to ensure that the most productive bidders are selected. The Department automated its procurement processes, made greater use of credit cards for acquisitions under \$25,000, and increased training for our contracting staff. As a result, we have increased efficiency in acquiring needed goods and services.

In addition, we have provided OMB with competitive sourcing plans for increased direct conversions and A-76 cost comparisons during FY 2002 – FY 2003. These competitions will assess whether the selected activities are best conducted by the Federal Government or by the private sector.

Improved Financial Performance

Accurate and timely financial information is integral to optimum performance and accountability. The Department must continue producing clean audits to support effective management. Accurate and timely information supports our performance and is inherent in providing accountability to the American people. We will continue to reduce the number of reportable conditions and other weaknesses that may compromise the integrity of our financial data.

The Department has received unqualified opinions on its financial statements since FY 1999. The Department received the Certificate of Excellence in Accountability Reporting (CEAR) Award for the FY 2000 Accountability Report. We have been correcting both reportable conditions and internal control weaknesses so that we may continue to ensure the integrity of our data. We continue to implement a financial management system, the Commerce Administrative Management System (CAMS) that will integrate financial data throughout the entire Department. Implementation of a financial management system will allow managers to receive timely, accurate data resulting in more effective management decision-making. Full implementation of CAMS within the Department is anticipated by October 2003.

Expanded Electronic Government

Expanded electronic government (e-government) is a keystone to fostering citizen-centered government with a greater volume of service at lower cost. We must ensure that our investment in information technology (IT) is wisely used to safeguard the security and integrity of our IT systems; dissolve bureaucratic divisions and increase our productivity through virtual consolidation and collaboration on many diverse functions such as payroll processing; implement applications to address common requirements such as e-grants, e-regulation, and e-signatures; provide citizen-centered service by creating easy-to-find single points of access to our programs, including a government-wide e-procurement portal; reduce reporting burdens on the public by sharing information between federal agencies and state, local, and tribal governments; increase the ease of electronic access for persons with disabilities; increase the transparency of our programs and operations; and reemphasize the importance of customer satisfaction so that our service delivery compares favorably with state-of-the-art providers located elsewhere in government and the private sector.

During FY 2001, the Department strengthened its security protections and increased security training to improve protection against intrusion and cyber-terrorism. We have expanded Web-based information services that are available to the public and are continuing to create Web-based links—both within the Department and with other agencies—needed to facilitate

access to related services. The Department will continue to focus on IT security, completion of the restructuring of IT management, and further improvements in the investment review process. In addition, we will improve our integration of proposed IT measures in the budgeting process.

Budget and Performance Integration

Results offer the most persuasive accounting of our use of taxpayer monies. Some of the challenges in making a full and accurate accounting include the structure of the federal budget, which inhibits identifying the full cost of individual programs. We support government-wide efforts to identify all costs, and seek to assess our performance with easily understood and accurate performance and cost data. Managers often do not have control over the resources they use or have the flexibility to use them efficiently. We support government-wide efforts to align authority with accountability.

During FY 2001, the Department improved its system for scoring and communicating performance results. Performance plans have been reviewed to ensure they are useful to program managers and lead to high levels of achievement and measurable improvements. We are striving to continually improve the accuracy, completeness, and reliability of the data by which we measure our performance. We publicized plans for addressing our most severe top management challenges and are now taking steps to improve performance where earlier targets were not met.